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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C 20548

CIVIL DIVISION

MAR 18 1969

Dear Mr. Muirhead:

As part of our review of the activities of the Office of Education we are examining into the administration of certain aspects of the Federal financial aid programs that are available to students attending institutions of higher education.

In our review at San Jose State College, San Jose, California, we noted that during the four academic semesters ending with the fall 1968 semester, \$64,515 in loans under the National Defense Student Loan (NDSL) program and grants under the Educational Opportunity Grant (EOG) program had been paid to 98 students who did not meet their school enrollment or attendance requirements as shown in the following table.

	<u>Number of students</u>	<u>Type and amount of aid</u>		
		<u>NDSL</u>	<u>EOG</u>	<u>Total</u>
Registration not completed by payment of fees	24	\$12,975	\$3,325	\$16,300
Withdrew shortly after registration	43	21,940	4,225	26,165
Registered for insufficient units of study to qualify for assistance	<u>31</u>	<u>22,050</u>	<u>-</u>	<u>22,050</u>
Total	<u>98</u>	<u>\$56,965</u>	<u>\$7,550</u>	<u>\$64,515</u>

To be eligible for a loan under the NDSL program the student must, among other things, have been accepted for enrollment at the institution of higher education or, in the case of a student already attending an institution of higher education, the student must be in good standing and carrying at least one-half the normal full-time academic workload as determined by the institution. To be eligible for a grant under the EOG program, the student must, among other things, have been accepted for enrollment as a full-time student at an institution of higher education or, in the case of a student already attending such institution, the student must be in good standing and in full-time attendance as an undergraduate student.

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While at San Jose State College, we learned that the full amounts of loans and grants were disbursed to the students for the entire semester about ten days prior to formal registration. During the period between the receipt of a loan and/or grant and formal registration, the student was able to adjust his planned course of study, and in some cases, as noted above, fall below the minimum required number of credits, or completely withdraw from school. We believe the practice of disbursing the full amount of aid for the semester before completion of registration lends itself readily to the occurrence of the situation described.

College officials were aware of the problems arising from this practice and have instituted some changes in registration and aid disbursement procedures aimed at minimizing instances of noncompliance with the requirements of the federally assisted loan and grant programs. The changes, which are planned for initiation with the fall 1969 semester, include the implementation of a preregistration procedure whereby students generally will pay fees prior to actual registration and receipt of aid. Additionally, disbursement of aid to students who have been authorized to receive both a loan and a grant will be made in two installments. The loan will be paid first at the beginning of the semester, and the grant will be paid at a later date. We believe that these changes will be helpful in reducing the problem noted at San Jose State College.

We discussed our observations with the Office of Education's financial aid program officials at the Department's San Francisco Regional Office. These officials informed us that this problem was not considered to be serious, but that it was not uncommon and probably could not be entirely avoided. We were also told that it is their practice to recommend and encourage schools to establish procedures designed to minimize the problem, but that specific uniform procedures and recommendations could not be dictated or enforced because of differing systems and staffing conditions in the schools.

While the problems noted at San Jose State College with respect to students receiving aid and not pursuing their education or not meeting enrollment requirements did not appear to exist at four other institutions which we visited, it seems to us that the problem could exist at other institutions participating in the program. Therefore, we are reporting this matter so that you may consider the need to alert other regional representatives to the problem in the interest of minimizing program abuses.

We would be pleased to discuss this matter in greater detail with you or your representatives, if you so desire. We would appreciate your informing us of any action taken thereon by the Office of Education.

Sincerely yours,


Philip Charam
Associate Director

Mr. Peter P. Muirhead
Acting Commissioner of
Education
Department of Health, Education,
and Welfare